1 Canadian Stock That Looks Ridiculously Undervalued

Description

Many market pundits have warned of frothy valuations and the potential for further turbulence as the U.S. Federal Reserve finally begins raising rates. Indeed, two or even three rate hikes could be in the cards for 2022, as efforts are taken to combat inflation. Indeed, the Fed's focus will still be on employment. As it continues its recovery, we'll reach a spot where rate hikes will need to pick up — perhaps at a faster rate than most are currently expecting.

Could rate hikes make up for lost time over the next 18 months? Nobody knows, but investors should brace themselves for a potential negative reaction in stocks. A tantrum like the one endured in the back half of 2018 seems unlikely. Stocks nearly plunged 20% from peak to trough. Still, the much-anticipated correction is likely to hit some sectors more than others. As such, investors should insist on obtaining a wide margin of safety to avoid feeling the full impact of the next market-wide pullback.

Undoubtedly, for stock pickers, a pullback or correction really is a good thing versus a flat market that leaves less in the way of opportunities. Without further ado, consider **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), one Canadian stock that looks to be severely undervalued heading into the latter half of November.

Restaurant Brands International: Ridiculously undervalued?

Shares of Restaurant Brands have been a huge underperformer this year due to the perfect storm of COVID headwinds that exposed to firm's shortcomings. As other quick-serve restaurant stocks powered higher, QSR shares were left behind, a trend that I believe will disappear in the future.

Why? First, significant management changes were made over at Burger King, which hasn't done that well versus its rivals in the burger space over the past quarter. A new boss at the chain and a big logo redesign are just two signs that the brand is looking to reinvent itself. With a focus on fresher ingredients, I have no doubt that the Burger King of tomorrow will be far more appealing to consumers versus the one that's fallen so heavily out of favour.

Second, QSR is investing heavily in efforts that should improve the long-term fundamentals.

Modernization initiatives and digitization are key areas that the company is looking to improve drastically. The net positive effect on sales should follow in due time.

Finally, Restaurant Brands made a major splash to kick off the week with the acquisition of Firehouse Subs in a deal worth US$1 billion. In many ways, the deal seems to rhyme with Popeyes one QSR made a few years back. The chain is promising, and QSR could take it to the next level as it benefits from the growth jolt.

Restaurant Brands is now a quartet of impressive brands with incredible growth potential—fried chicken, burgers, coffee and doughnuts, and now, subs. With shares bouncing off 52-week lows on the back of the news, I'd look to punch a ticket to potentially ride a bounce back towards the $100 mark.

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